Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 2/14/2002

GAIN Report #IT1033

Italy

Solid Wood Products

Annual

2001

Approved by:
Lisa Hardy Bass
U.S. Embassy
Prepared by:
Wanda Besozzi

Report Highlights: Total Italian imports of forest products, including wooden furniture, were valued at $5 billion in 2000. Italy, the most important European market for American hardwood lumber in 2000, is importing a little less U.S. hardwood lumber and veneer during the current year. Total U.S. forest product imports during 2000 were about US$ 202 million. The rise in the dollar exchange rate has given an export-led stimulus to the Italian furniture sector but has hurt some U.S. timber exports in 2001.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rome [IT1], IT

EXECUTIVE SUMMARY

Improved domestic consumption and increased furniture exports were fundamental for the Italian forest product and furniture sectors which continue the positive trend of the previous year. Italy is one of the major exporters in the world of finished and semi-finished forest products. During 2000, the Italian forest products sectors employed about 410,000 workers in 88,000 companies, mostly small to medium sized firms, with a total turnover of about US $35 billion. 80 percent of raw materials used for manufacturing finished products is imported. Total Italian imports of forest products, including wooden furniture, were valued at $ 4.96 billion in 2000 while exports of forest and wood products, mainly furniture and furnishings, totaled $11.43 billion.

Because of the relative weakness of the euro, the Italian furniture manufacturing sector has a positive outlook for exports in the near future but at a slower rate. The furniture industry is spending more to promote products in order to gain market share in markets once considered marginal and to withstand the aggressiveness of the Asian, mainly Chinese, producers.

In CY 2000, the U.S. was still the number one source for hardwood lumber in Italy. Due to the strong U.S. dollar, American hardwood has become very expensive. The increase in the availability of hardwoods from Eastern Europe means that these countries and other parts of the world, will continue to compete with U.S. hardwood species.

Some Italian traders still feel optimistic about the medium term outlook for American hardwoods which sustain their place in Italy due to the wide range of species, grades and sizes available, their well established grading rules and efficient shipment and delivery times. U.S. export opportunities are found in species not easily available in Europe

The FSC schemes in the U.S. will, in a near future, be an asset for U.S. wood products. Demand for ecological-certified wood products is not yet very strong in Italy. It may change in the future even though it is not clear how many consumers will be willing to pay extra in order to have this type of certified wood product.

The demand for U.S. structural panels could improve since new construction activities are expanding. Remodeling of existing buildings remains a good potential outlet for U.S. structural elements.

In order to stay competitive in the tight Italian market U.S. exporters and their Associations need to be more aware of the Italian perception of quality. To the Italian manufacturer, quality is much more than accurate grading. Import decisions are often based on other factors including dimension accuracy, consistent supply and customer service. Italian importers are constantly looking to the U.S. for innovation and value-added goods. In particular Italian manufacturers look for detailed technical information in order to broaden their possibilities with value-added goods as they seek to shorten their manufacturing lines and reduce costs.

The Italian, as well as the EU, wood working sectors are beginning to think about the future EU enlargement and the effect that this situation will have on the competitiveness of the EU industries.

NOTE: Dollar amounts provided in the report are impacted by varying exchange rates.

Average Exchange Rate used in this report for
CY 1999: 1 US dollar equals 1,819 Italian Lire or 0.96 euro
CY 2000: 1 U.S. dollar equals 2,102 Italian Lire or 1.09 euro.
Source: U.S. Treasury, Rome.

ITALIAN ECONOMIC OUTLOOK

GENERAL OVERVIEW

During most of the 1990's Italy's gross domestic product (GDP) growth was the slowest in the Economic Monetary Union (EMU) area. Italy's growth rate of 2.9 percent in 2000 and estimated growth of 2.3 percent in 2001 continues to be slightly below the EMU area. In 2000, overall imports increased by 23.6 percent, while the value of exports increased by 16.4 percent over the corresponding period of the previous year. In late 2000 and early 2001, exports to the European Union surged relative to exports to non-EU countries. The slowdown in the US and euro zone economies is expected to contract Italian export potential.

Inflation is now firmly within norms for the EMU. During 1997, 1998 and 1999 inflation was around 2 percent. During 2000 inflation rose to 2.5 percent mainly due to an increase in oil prices and to the strengthening of the dollar versus the euro.

The key economic challenges facing Italy and the newly-elected government are to keep the government deficit under control, to reform the pension system, to reduce the high government debt, to reduce unemployment, to address structural rigidities and to improve public administration.

PRODUCTION

Forest Situation - The Italian Forest Resources

Italy's total forest resource base remains inadequate to meet growing local demand. Because of its long north-south extension and range of altitudes, Italy possesses a large variety of forest types and of flora and fauna. The latest statistics (Eurostat) indicate that Italy has about 10 million hectares of forest area and nearly 1 million hectares of other wooded land. Predominantly broad-leaved stands make up more than 70 percent of the forest area (6,860,000 Ha), of which about half is coppice and coppice with standards. Forest fires are an annual hazard. With 0.2 ha per capita, Italy has the lowest forested area per inhabitant among the southern European countries.

Because of the large areas of hills and mountains, fragile soils, difficult climatic conditions and the risk of forest fires protection of forest land is increasingly important. Most Italian forest area is not available for wood supply, mainly due to conservation and protection, but also from an economic perspective the wood is inaccessible. The forest resource base is estimated to increase annually by 30 million CM; of this, about 9 million CM is harvested annually, including wood used for firewood (about 60%). Italy's forest product self sufficiency is only about 20 percent. The quality of Italian production is very poor. The average annual utilization per hectare is estimated at about 1.1 CM.

The latest statistics indicate that the following species are being used as timber:
Softwood: 74% red and white spruce ; 17 % pine and 9 % larch.
Hardwood: 61% poplar; 26% chestnut; 5% beech and 8% various oaks.
Poplar is the only species that is grown using managed forestry practices. Acreage covered with this species accounts for only about 1 percent of the total forested area but produces about half of all harvested domestic wood output. Poplar production is tied to the agricultural economy (reforestation of abandoned agricultural land) and involves more than 40,000 plantation/farms that cultivate about 100,000 hectares. Poplars have been particularly valuable for the production of cellulose and they are used by the plywood and packaging industries.

Forest Management and Uses

There are two major factors influencing the quality and productivity of Italian wood resources:
a) The geographical distribution of Italian forest resources - Most softwood and hardwood (high stands and coppice stands) species are situated on mountainous and hilly lands. The higher cost of harvesting under adverse conditions, coupled with environmental concerns for conservation and protection, limit the volume and quality of the wood harvested.

b) Private forest ownership accounts for 60 percent of forested land while state and regional ownership accounts for 7.5 %. The average size of holdings is very small and the number of private owners correspondingly large. This ownership pattern makes managing the resources in a productive way very difficult. There is no economic justification for private owners to manage their forests. A recent report indicates that only 11 percent of the total Italian forest land is being managed. Formal management plans apply to publicly owned forests. Management plans represent a major challenge to owners, who often lack the resources, human and financial, to apply silviculture practices to Italian forests. Nevertheless, better and greater use of wood production potential is expected, not only for the economic benefit of the wood sector but also for ecological and fire prevention reasons. During the CY 2000 there were 8,595 fires which destroyed 58,234 hectares of forest land and 56,414 hectares of other unforested land.

About 22,000 ha of plantation and natural forests are currently certified in a European program that calls for re-planting of harvested timber.

Wood Sector

The Italian wood/furniture sector in CY 2000 employed about 410,000 workers in 88,000 companies, forming one of the foremost sectors of the national economy. Most of the companies are small and privately owned, so taxation is a significant burden for these businesses.

CY 2000 can be considered a positive year for the wood/furniture sectors thanks to increased domestic consumption in the furniture, packaging and construction sectors and to increased export volume in Italian furniture. Wood consumption improved mainly thanks to increased investments in the construction sectors for renovation of old buildings. An increase of 2.5 percent is expected also for 2001. The furniture sector registered an increase in production of over 7 percent. This favorable trend is expected to continue for the near future.

For more information about the Italian wood industry:

Italian Wood Federation
Federlegno Arredo
Via Foro Bonaparte 65
20121 Milano
Tel +39 39- 02 806041 FAX + 39 02 80604392
www.federlegno.it

Italian Traders Association
Fedecomlegno - Federlegno
Via Toscana 10
00187 Roma
Tel +39 06 4200681 Fax +39 06 42012236
www.federlegno.it/ associazioni/fedecomlegno
E-mail: fedecomlegno@federlegno.it

Italian Agent Association
Agelegno
Piazza San Martino 1
40126 Bologna
Tel +39 051 227122 Fax +39 051 265976
www.agelegno.it
E-mail: info@agelegno.it

Note Exchange rate.
Dollar amounts provided on the table below are impacted by varying exchange rates.

Table: Wood-Wood Products and Furniture Sectors

	Units	1999	1999	2000	2000
		Million US$	Million Euro	Million US $	Million Euro
Turnover (a)	Value	38,046	35,742	35,086	38,090
Exports (b)	Value	11,640	10,935	11,429	12,407
Wood and wood Products	Value	1,423	1,336	1,375	1,493
Furniture and Furnishing	Value	10,217	9,599	10,054	10,913
Imports (c)	Value	5,062	4,756	4,956	5,381
Wood and wood Products	Value	3,711	3,487	3,590	3,898
Furniture and Furnishing	Value	1,351	1,269	1,366	1,483
Domestic Sales **	Value	33,675	31,636	30,789	33,425
Exported Products (% b/a)	Percent	30.6	30.6	32.6	32.6
Total Employees	Units	406,626	406,626	409,805	409,805
Employees (firms with >20)	Units	125,090	125,090	126,915	126,915
Total Firms	Units	87,735	87,735	88,143	88,143
Firms (with > 20 employees)	Units	2,845	2,845	2865	2865

Source: Federlegno Arredo, Milan

** The domestic sales value is an index of internal consumption

TRADE

Overview/Outlook

Italy remains highly dependent on imports, reflecting the country's lack of raw materials. Italian imports of timber and wood products in 2000 increased by 12 percent from the previous year both in value and quantity. Note: The value in US dollars indicated in the table reflects the increased strength of the dollar. The % variation indicated in the last column refers to the change in value by euros.

Table: Italian Imports in the Wood Sector

	Unit	Quantity	% 00/99 change quantity	Value in Million Euro	Value in Million U.S. $	% euro change value % 00/99
Logs	CM	5,467,312	+12.4	538	496	+9
Lumber	CM	8,606,718	+11.6	1,786	1,646	+11
Panels	CM	720,916	+7	109	100	+9
Wood products for the construction sector (Flooring, Doors Windows)	MT	241,324	+20	322	297	+17

Source: Federlegno Arredo, Milan

Austria is by far the major supplier of timber to the Italian market followed by Germany, France and the United States. U.S. forest products trade with Italy during CY 2000 was in total down by 2 percent; however logs and chips and hardwood lumber were up 43 and 5 percent respectively. In 2000 softwood and treated lumber dropped dramatically. The first 10 months of 2001 indicate that US exports will continue to shrink. Italian traders are sourcing raw materials (both soft and hardwood species) from Europe which is becoming more self sufficient and where the timber quotations are not related to the high dollar exchange. Prices of certain U.S. timber species, both soft and hardwoods, are increasing such as in the case of southern yellow pine. In Europe there is still an abundance of softwood logs as a consequence of the storm which hit Europe in December 1999; however, the quality and prices of these logs is becoming less competitve for Italian sawmills.

COMPETITION

The Italian wood industry sources its raw materials from many countries in order to guarantee a continued reliable supply of product. Political decisions of producing countries have a strong effect on Italian end users. Constraints on the supply of US softwood from the Pacific Northwest have caused difficulties for Italian end users who used to import large quantities of douglas fir for the joinery industry.

Italian sawmills continue to take advantage of the oversupply of softwood and round wood in European countries, mainly from Switzerland and Germany, and consequently increased imports.

During a recent Italian timber association meeting the effects of EU enlargement on the competitiveness of the EU woodworking industry were discussed. The EU will face major adjustments in the wood sector due to serious competition from acceding countries such as the Central and Eastern European Countries (CEEC). The strengths of the CEEC are: availability of wood material (high share of forest in total area, low raw material prices); low labor costs (wages well below EU level, ample labor force with skilled workers); low market penetration of imports and high export orientation; and high capacity and capacity reserves (large companies with foreign financial support).

The CEEC lacks much of what the EU countries could provide: high technology, know-how and skills, and links to create supply chains from cost competitive regions.

PRODUCTION

Hardwood lumber species most used are poplar, walnut, chestnut and beech. With the exception of poplar the quantities of other domestic hardwoods such as maple, ash, basswood, elm, birch, cherry and acacia are negligible.

CONSUMPTION

Utilization Patterns

Italy has a long tradition of woodworking and a substantial furniture and furniture component industry. The Italian furniture industry sources its raw materials from many countries in order to guarantee a continued and reliable supply of products. Italian demand for temperate hardwood lumber depends largely on the domestic and export performance of the furniture industry. Italian furniture manufacturers continue to prefer high grade hardwood, mainly tulipwood, red alder and white and red oak as well as other species such as ash, cherry and hard maple.

The Italian furniture sector absorbs about 60 percent of U.S. hardwoods imported into Italy. Italian manufacturers appreciate hardwood varieties and are very open in trying new U.S. hardwood species.

TRADE

In CY 2000 the U.S. was again the largest exporter of hardwood lumber to Italy. The potential for increased consumption of US species doesn't look good at present. In fact, US lumber exports during the first 10 months in 2001 were down 23 percent compared to the same period in 2000. One of the reasons for this decrease is that some Italian traders (as well as other Europeans) source raw material from Eastern Europe, which is becoming more and more self sufficient and where timber quotations are unrelated to the dollar exchange (Croatia, Hungry, Slovenia and Bosnia). If these countries will in the long term become reliable suppliers they could potentially become serious competitors for the American hardwoods. Reportedly, the recent increase in prices of certain species such as poplar and the strong dollar didn't help U.S. exports during 2001. Some Italian traders still feel optimistic about the medium term outlook for American hardwoods which remain somewhat competitive in Italy due to the wide range of species, grades and sizes available, their well established grading rules and efficient shipment and delivery times. U.S. export opportunities are found in species not easily available in Europe.

The furniture/interiors sectors are still considered lucrative activities although furniture manufacturers continue to complain that it is difficult to maintain a stable profit margin when exchange rate and production prices are unstable.

The flooring, door and window, molding, plywood, paneling and staircase industries also utilize hardwood lumber.

US. Competitors

Croatia has an abundance of Slovenian oak which has broad possibilities for the Italian industries in interior decorating, furniture, joinery and other industrial uses.

Italian and Croatian trade relations are strengthening and reportedly Italians continue to finance the modernization of wood processing industries in eastern countries. These countries are expected to export more kiln-dried lumber and reportedly the quality of beech, oak and black walnut is quite good.

PRODUCTION

The Italian softwood lumber industry consists of about 100 mills located along the Alps. It employs over 1200 workers. Activity of small and medium sized softwood mills is generally influenced by the building, furniture and packaging industries. Reportedly, Italian sawmills with clients who export their finished products are doing better than sawmills that sell to clients only involved in the domestic market.

In recent years Italian sawmills upgraded their mills and are able to provide product innovations, semi-finished products and tend to provide more personalized services in order to satisfy specific needs of end-users.

Italian sawmills during CY 2000 took advantage of the oversupply of softwood, and round wood in European countries due to the severe storm in late 1999.

CONSUMPTION

The year 2000 was a record year for softwood consumption. The joinery sector was powered by an upturn in remodeling and buildings rehabilitation. The improvement of construction will be beneficial to other sectors such as joinery, interior finishing, flooring and paneling.

Softwood lumber is used mainly in construction (65 percent): furniture (7 percent) and the remainder in other industries. The window industry is the biggest end-user of high quality softwood lumber.

TRADE

Over the past year Italy imported US$ 249 million of softwood lumber. Austria maintained its usual position as the largest and most reliable supplier of softwood lumber. The most significant increases were registered mainly for softwood lumber coming from Germany and Russia. Russia, after many years, came back as the third major softwood lumber supplier, surpassing the Scandinavian countries.

Prices for most commercially significant species of African logs and sawn lumber are holding reasonably steady. During CY 2000 Italy was able to increase imports from Cameroon. During the current year logging in Cameroon is well down due to a tightening of government restrictions and this has ensured that domestic log prices have remained stable. Cameroon has recently added ayous and azobe to the list of species that may not be exported as logs. This ban will somewhat impact Italian manufacturers in the near future. Italy imports 61 percent of its tropical lumber from Cameroon and Ivory Coast. Italian imports from Asian countries are low and stable due to the strong dollar and the high price at origin.

The PS& D and trade matrices pertain to total plywood production and trade. No specific data are available for softwood and hardwood plywood.

PRODUCTION

Official production figures estimate an increase in production of 6 percent. 80 percent the total production goes to plywood while the remainder is made up of block and laminated boards.

The plywood industry used mainly softwood species (30 percent), birch (23 percent), poplar (20 percent), tropical species (15 percent) and beech (3 percent).
The Italian plywood industry is the major user of locally produced poplar but reduced availability has forced producers to purchase logs from other countries making Italian plywood less competitive than plywood produced in other European countries. Another constraint for the plywood industry is the difficulty in sourcing tropical wood due to the current political difficulties in Gabon, major supplier of Okoumè.

The Italian plywood industry is the world's twelfth largest. The industry is composed of about 56 mills which employ about 5000 people, but 10 major mills represent 65 percent of total Italian production. Italian small mills pride themselves in their ability to respond to customer's needs in a short time.

The Italian plywood industry is conforming to the new European norms covering plywood panels. Under new EU regulations, the user must guarantee that the plywood panels will be produced with uniform methods and the quality will be standardized and guaranteed to conform to technical regulations and resistance. The breakdown of plywood by end users is as follows: 40% to the construction sector; 35 % to the furniture sector and the remaining 25 percent in other sectors such as packaging, transportation and naval construction

OSB panels are stealing some plywood market share thanks to their quality/price ratio.

TRADE

Italy’s role has changed in the last ten years, from that of a net exporter to net importer. Italian industries have been facing increasing competition from foreign countries which have an abundance of raw material, good manufacturing technology and low labor costs
The European import of plywood from Indonesia is decreasing due to their political crisis. This interruption in supply has caused considerable distress to companies which were used to trade with Indonesia. Imports from Brazil are constantly increasing.

Plywood price drives Italian traders deciding where to source plywood.

Panel Association (plywood, fiberboard, particle board, veneers OSB)

Assopannelli
Via Foro Bonaparte 65
20121 Milano
Contact: D.ssa Plebani
Tel +39 02 806041 Fax +39 02 80604392
www.Federlegno.it/associazioni/assoPannelli
e-mail: assopannelli@federlegno.it

MARKET SEGMENT ANALYSIS:

CONSTRUCTION SECTOR: OVERVIEW

The Italian construction industry continued the positive trend registered in the last two years. As in the past the upgrading of existing housing stocks continued to contribute to the trend along with investment in new residential housing. The latter probably the more important factor since, after six depressed years, the new residential construction sector will probably lead the construction market in the near future. ANCE, Italy’s principal builders’ association reports that the Italian construction industry has performed well in 2001 and will do so in 2002 but at a lower rate than during CY 2000.

Renovations have gradually increased to represent over 50 percent of total expenditures. The rapid aging of the existing stock of homes and an increasing demand for more comfortable homes, at a time of relatively low interest rates and tax incentives for renovation activities are favoring renovations. Tax incentives began in 1998 and have been maintained in subsequent years.

Table: Investments in the Construction Sector - 2000

New Residential	25.1
Renovation of Residential	29.1
Non Residential	27.5
Public	18.3

Source: ANCE

Table: Construction by Type

	* Million Euro 2000	Percent Change at Constant prices over Previous Year						
		1998	1999	2000	2001 1)	2002 2)	2003 2)	2004 3)
Residential Construction								
New	19,705	-6.0	1.9	6.2	8.5	2.5	1.0	-0.7
Renovation	36,396	4.6	8.0	6.6	2.6	0.8	0.8	1.7
Total	51,101	0.5	5.8	6.5	4.7	1.4	0.9	0.4
Non-Residential								
Construction New	17,960	0.5	3.1	6.5	4.1	1.9	-1.0	-0.4
Renovation	19,574	4.0	3.3	4.5	2.9	1.8	-0.7	0.2
Total	37,534	2.3	3.2	5.5	3.5	1.8	-0.8	-0.1
Building								
New	37,665	-3.0	2.5	6.4	6.5	2.2	0.1	-0.5
Renovation	55,970	4.4	6.3	5.9	2.7	1.2	0.3	0.8
Total	93,635	1.2	4.7	6.1	4.2	1.6	0.2	0.2
Civil Engineering								
New	10,977	7.2	7.0	2.8	3.7	4.0	4.5	2.8
Renovation	14,707	10.2	6.3	4.8	3.3	2.2	2.4	1.3
Total	25,684	8.9	6.6	3.9	3.5	3.0	3.3	2.0
Construction Sector Output	119,319	2.8	5.1	5.6	4.1	1.9	0.9	0.6
Services/Construction by other sectors, DIY/ Black Market	20,512	2.1	4.8	5.45	3.7	1.8	0.4	0.5
Total Construction Output	139,831	2.7	5.1	5.6	4.0	1.9	0.8	0.6

1) Estimate 2) Forecasts 3) Outlook Source: Euroconstruct, 2001 - CRESME

* Billion Euro at 2000 prices, excluding taxes 1 Euro = 1936.27 Italian Lire

RESIDENTIAL CONSTRUCTION (IN 000S UNITS)

		Forecasts						Out look
		1998	1999	2000	2001	2002	2003	2004
Building Permits (1)	1+2 family dwelling	33.0	40.0	42.0	43.0	41.0	38.0	40.0
	Flats	115.0	142.0	147.0	149.0	142.0	136.0	135.0
	Total (3)	160.0	197.0	205.0	206.0	200.0	190.0	188.0
Housing Starts	1+2 family dwelling	45.0	54.0	56.0	57.0	56.0	52.0	51.0
	Flats	115.0	139.0	144.0	146.0	141.0	134.0	131.0
	Total (3)	195.0	228.0	237.0	238.0	232.0	220.0	218.0
Housing Completion (2)	1+2 family dwelling	51.0	46.0	43.0	48.0	50.0	49.0	48.0
	Flats	121.0	113.0	117.0	147.0	153.0	154.0	148.0
	Total (3)	201.0	193.0	198.0	232.0	241.0	243.0	238.0
Housing stock	(1000 dwelling)	25,029						

(1) Only legal dwellings (2) Legal production and estimation of illegal production
(3) Total includes dwelling in new non residential building and dwellings got from extension intervention

Table: Non- Residential Construction (Public and Private - New Construction Only)

		Percent Change at Constant prices						
	Million Euro 2000	1998	1999 1)	2000	2001 2)	20022)	2003 2)	2004 3)
Schools and University	380	2.0	2.0	1.0	1.5	1.0	1.0	-
Hospitals	495	12.0	8.5	7.4	1.4	0.5	0.5	1.0
Industrial Building	7,088	-2.6	2.7	5.7	3.7	3.0	-1.4	-0.2
Office Buildings	1,347	-1.4	0.9	8.7	5.6	2.0	-1.0	-1.0
Commercial Buildings	2,540	-1.6	0.9	3.8	2.3	0.6	0.4	-1.5
Miscellaneous	6,109	4.9	4.8	8.6	5.5	1.5	-1.0	-0.3
Total	17,960	0.5	3.1	6.5	4.1	1.9	-1.0	-0.4

Billion Euro at 2000 prices, excluding taxes. 1 Euro = 1936.27 Italian Lire Source: Euroconstruct, 2001 - CRESME

Wood demand in Italy for home construction is still limited. The large part of wood entering in the Italian construction sector is utilized for joinery purposes, mainly doors, windows, flooring and paneling.

More detailed information about the Italian construction industry can be obtained from CRESME, a leading research company in the construction sector:

Cresme Ricerche SpA
Via Fogliano15
00198 Roma
Tel +39 6 854 36 23 Fax +39 6 841 57 35
www.cresme.it e-mail cresme@cresme.it or
www.euroconstruct.com

or
ANCE (Italian National Association of Private Construction Companies)
Via Guattani
00161 Roma
Tel +39 06 84 567.1
E mail: info@Ance.it

www.ance.it

JOINERY SECTOR

With the improvement of the domestic building industry - through the renovation of old buildings, the overall joinery sector production (windows, doors and flooring) increased by 5.7 percent during CY 2000.

The door and window industry is in transition. The carpenter is being replaced by the assembler who puts together components supplied by the industry. The Italian manufacturers are upgrading their equipment in order to process random width and length clears into window components of a more standardized size. Manufacturers of all wood windows are facing competition from alternative materials and from use of laminated stock. Market expansion is dependent upon containing cost incurred by end users.

There are strict standards procedures in the joinery sector in Italy. The Italian manufacturers that export doors and windows must have an E.C. approval mark which signifies that the product conforms to the standardized norms and technical specification. Wood suppliers to the joinery sector should be aware of the exacting technical and aesthetical standards for a final wood window in Italy.

Table - Total Window Trade (includes non wood), 2000

	Imports			Exports	
	000 Dollars	M.T.		000 Dollars	M.T.
Denmark	14,316	3,094	Greece	2,526	393
Switzerland	4,033	985	Germany	1,272	380
Congo	676	881	U.S.	2,883	280
Austria	2,190	466	Israel	1,278	241
Germany	833	232	Spain	1,321	222
Croatia	616	192	Switzerland	1,492	178
Slovenia	701	159	Russia	1,059	152
Others	1,429	1,060	France	617	117
			Others	4,738	1,232
Total	24,794	7,069	Total	17,186	3,195

Table - Total Doors Trade (includes non wood) ,2000

	Imports			Exports	
	000 Dollars	M.T.		000 Dollars	M.T.
Rumania	5,276	4,983	Russia	16,459	2,472
Germany	3,100	2,241	Israel	2,184	809
Indonesia	2,185	825	Switzerland	5,656	763
Belgium	797	522	Germany	5,073	709
Austria	718	395	Japan	4,700	706
Others	4,686	2,534	Austria	3,299	534
			Greece	2,284	485
			Saudi Arabia	2,080	305
			Libya	1,373	280
			France	1,509	268
			Slovenia	1,200	244
			Others	16,473	3,219
Total	16,762	11,500	Total	62,290	10,794

ITALIAN WOOD PARQUET/FLOORING

The upturn in the construction industry benefitted the wood/parquet floor industry in CY 2000 which allowed an increase in production and consumption. Nevertheless prices are likely to remain sluggish due to fierce competition from Eastern and Asian countries.

The general trend of wood flooring is positive and is expected to further increase. Growing environmental consciousness, wood design and prefabricated wood elements are contributing to this development. Wood is not only considered a natural product, but it is also becoming an important design element for architects and an easy solution in renovating old housing.

The Italian wood flooring industry appreciates U.S. hardwoods for the quality and beauty of these species. American hardwood species such as hard maple, red, oak, black cherry, ash and walnut are a good alternative for Italian flooring producers; however, Italian manufacturers consider the U.S. raw materials and semi-finished blanks very expensive. Quotations are worsened by the high exchange rate. The growing demand for tropical hardwood flooring may in the future impact production of hardwood flooring and consequently reduce demand for U.S. hardwoods for flooring.

For more information about the entire wood joinery sector (windows, doors and flooring) contact::

Edilegno - Federlegno
Via Foro Bonaparte 65
20121 Milano
Tel +39 02 806041 Fax +39 02 80604392
www.Federlegno.it/associazioni/edilegno
e-mail: edilegno@federlegno.it

Major wood joinery companies which are members of the Wood Association can be obtained by visiting their web site.

Table - Total Wooden Floor Trade, 2000

	Imports			Exports	
	000 Dollars	M.T.		000 Dollars	M.T.
Nigeria	14,778	10,817	U.K.	6.176	9,924
Ivory Coast	11,523	9,143	Germany	16,081	5,074
Indonesia	17,321	9,044	France	6,837	2,736
Croatia	8,273	6,060	Belgium	2,170	2,360
Germany	10,927	5,561	Switzerland	4,689	1,961
Paraguay	6,349	5,210	Turkey	1,929	1,914
Austria	9,106	4,320	Hong Kong	1,403	1,725
Cameroon	5,193	3,685	Spain	1,373	1,293
Belgium	4,171	3,362	Austria	2,924	1,234
France	4,918	2,932	Greece	1,181	993
Rumania	2,642	2,676			
Brazil	2,406	2,167			
Burma	4,819	2,079			
Ghana	2,055	1647			
Congo	2,308	1,323			
Sweden	3,458	1,313			
Benin	1,359	948			
Denmark	2,630	940			
Others	16,846	10,942	Others	13,852	8,661
Total	131,081	84,169	Total	58,616	37,875

FURNITURE SECTOR

Italian furniture industry production increased by 6.7 percent during CY 2000 thanks to the improved domestic market and increased exports. This improvement is due to the good performance of the domestic market and furniture exports. Export markets increased both in value (+14.3%) and in quantity (+12.8%) because of careful pricing policy applied by furniture manufacturers in spite of raw material cost increases. Export expansion is also due to the high quality products, their innovative design and the industry's ability to respond to each single market.

For the fourth consecutive year furniture exports to Germany decreased by 2 % in value; better export results were obtained with the U.S., France, U.K. and Russia (+29%). The Russian market is becoming very interesting for the Italian furniture industry - the index of the average price of Italian exports towards the Russian market (value/volume) is equal to that of the U.S. and superior to the German one.

Europe is the preferred destination for Italian furniture with the EU accounting for 55 percent of total exports. Exports to the EU increased by 6.3 percent(despite the German reduction) while exports towards non-EU countries increased by 6 percent. Exports towards the NAFTA countries increased by 26 percent thanks to the improved exports towards the U.S. They represent 15 percent. Italian exports to eastern European countries increased by 13% while Italian exports to Middle East countries (Israel, Saudi Arabia and Arab Emirates) increased by 22 percent. Developing countries are potential customers for middle and upper-middle range furniture production. However, competition is increasing from Spain and from some Far Eastern countries, where production is expanding.

Furniture imports registered an increase of 16.6 percent both in value and quantity. Almost half of Italian imports are from the EU countries while 21 percent come from East European countries and 19 % from Asia (mainly from China). These emerging markets should not be underestimated by Italian furniture producers.

The furniture sector is a dynamic flexible industry. The industry is represented by new innovative materials, new and practical solutions and improved performance of all home furnishings items. This production uses integrated systems and groups. This produces a strong efficient coordination in the production process.

WOOD USE IN THE FURNITURE INDUSTRY

The main factors determining lumber and wood based panel utilization patterns in the furniture industry are: technological factors influencing raw materials and manufacturing techniques; furniture functional aspects (ergonomics) and the aesthetic content or design.

Specialization in production is becoming more mandatory. Development of new and more efficient technologies often requires research, and it is a factor that increases costs. However, small technological improvements could generate productivity gains. Ongoing efforts to exploit technology are being made at the level of quality and flexibility. New materials (such as panels, MDF OSB, fire retardant, wafer-thin or solid and sturdy panels) that can be cut or trimmed in any direction, combined with other materials have practically endless applications. New developments are also seen in the adhesive field; new surface finishing, coatings and veneers; along with connectors and assembly techniques. Wide ranges of different coating products are available including traditional melamine papers, foils of different thickness, PVC, thermoplastic and resin coatings, ABS and veneers. All of these coatings do not allow the consumer to tell the difference between each product and evaluate their costs or quality.

A quality trade mark is being promoted by the Consorzio Vero Legno (Real wood Consortium), whose members are loggers, finished wood product manufacturers, timber traders and agents. Their aim is to identify "real wood" furniture and furnishing accessories. The "real wood" (Vero Legno) trademark should be visible on the label of all wood products so that customers can read a description of the piece of furniture or component and the materials used to produce it by reading a label.

Detailed information on the "Real Wood" project can be requested to:

Consorzio Vero Legno Soc. Coop a.r.l.
Via C. Mauri 5 GH
22066 Mariano Comense (Como)
Tel +39.031.751012 Fax +39.031.751036
www.verolegno.it e-mail: verolegno@verolegno.it

STRUCTURE OF THE ITALIAN FURNITURE INDUSTRY

The Italian furniture industry continues to evolve beyond 2000 with a trend towards higher degrees of concentration. The decrease in number of companies (with more than 20 employees) in Italy has been slow but steady. This trend could be due to natural exit from the furniture market or could be associated with several other different strategies to be in a stronger position, through company size, to advertize and build the market. The structure of the Italian furniture market is still composed of the following:

The small workshop is usually a subcontractor working only on behalf of other furniture makers, or a workshop with its own limited output market.

Mid-sized enterprises often enter the export market by supplying large distribution chains or big retailers. These companies rarely work as subcontractors.

Large enterprises with more complex production and marketing organization: these companies sell their products on the domestic market and abroad.

FURNITURE DISTRIBUTION SYSTEM IN ITALY

The Italian furniture Distribution System is also going though a process of concentration. Until recent years in Italy there were about 20,000 specialized furniture retail sale shops. The number of these shops is drastically decreasing but the remaining shops have increased their size. It is estimated that the largest furniture channels are increasing their furniture distribution; however, the traditional furniture shops are providing more customer services. The large distribution chains include: Mercatone Uno, Ikea, Emmezeta, Divani &Divani, Semeraro Holding, Chateaux d'Ax, Ricci Casa, Emmelunga, Aventino Arredamenti, Consorzio Italiano Arredamenti, Bergamin, Casa Mercato, Aiazzone, Casa Italia, OltreFrontiera, Roche Bobois and many DIY groups.

Furniture Association:
Assoarredo
Via Foro Bonaparte 65
20121 Milano
Contact: Cesare Bergamini
Tel +39 02 806041 Fax +39 02 80604392
www.Federlegno.it/associazioni/assoArredo
e-mail: assoarredo@federlegno.it

A list of furniture manufacturers who are members of Assoarredo can be seen in the Association web site.

Table: Italian Furniture and Furnishing Sector

	2000 Million US $	2000 Million Euro	2000/1999 * % Variation
Turnover	21,008	22,806	7.4
Exports Furniture only	10,053 8,131	10,913 8,827	13.7 14.3
Imports Furniture only	1,366 864	1,483 938	16.9 16.6
Trade Balance	8,687	9,430	13.2
Domestic Sales **	14,496	15,737	5.1
Employees (Number)	226,142	226,142	0.8
Number of firms Number)	38,136	38.136	1.1
Source: Federlegno Arredo/ISTAT			

* 2000/ 1999 variation is based on Italian currency without taking into consideration Lire/$ exchange rate

** The domestic sales figure is an indication of internal consumption

WOOD PACKAGING

During 2000, pallet /packaging production in Italy increased by 7.1 percent. The packaging sector employees about 60,000 people. Italy imports about 80 percent of the wood needed in the whole packaging sector (mainly poplar and softwoods) for a value of two billion US$. The cost of raw materials continues to increase and has an impact on producers.

The pallet sector is going through radical changes. During the last three years almost all pallet producers and distributors have been renewing their pallet stocks by producing and purchasing Epal (Euro pallets). The transition period for the complete change in order to have one pallet standard will end January 2003.

Wooden crates and boxes represent about 45 - 50 percent of the wood packaging. The wood used in the production of crates is generally of low quality.

Wood Packaging (Pallets and other wood packaging material), 2000

	000 US$	000 Euro	No. of Units
Export	48,423	52.570	2,730,726
Import of which from U.S.	82,835 793	89,920 861	11,957,656 15,857

Crates, Italian Trade, 2000

	000 US$	000 Euro	MT
Export	12,257	10,610	10,938
Import	9,374	13,306	13,040

Association:

Assolegno - Qualipal Italia
Via Foro Bonaparte 65
20121 Milano
Tel +39 02 806041 Fax +39 02 80604392
www.Federlegno.it/associazioni/assolegno
e-mail: qualipal@federlegno.it

A list of furniture manufacturers members of Assoarredo can be obtained by visiting the Association web site

Italian Wood and Wood Products Trade Shows 2002

Name of Show	Location	Dates	e-mail address
Quadrum SACA Moldings, Frames, Picture Frames, Accessories and Tech.	Bologna	Feb. 21-24,2002	www.smart.it/SACA
SAIEDUE Interior architecture, building renewal,technologies and finishing	Bologna	Mar 20-24, 2002	www.smart.it/saiedue www.on-nike.it/saiedue
SALONE DEL MOBILE Furniture show Eurocucine (Kitchen) EIMU - (Office) SALONE ComplementoArredo (furnishings)	Milan	April 4-9,2001	www.cosmit.it
SASMIL Ancillary products and semi-finished products for the wood industry	Milano	May 21-25,2002	www.cosmit.it
Xylexpo Biennual world exhibition for wood working technologies	Milan	May 21-25,2002	www.xylexpo.it info@xylexpo.com
Legno & Edilizia Wood & Construction	Verona	June 20-23,2002	www.pmtexpo.it/legno
Salone della Sedia International Chair Fair	Udine	Sept.14-17,2002	www.fieraudine.it www.promosedia.it
ABITARE IL TEMPO Furniture and interior decorating products	Verona	Sept 19-23,2002	www.veronafiere.it
SAIE International Building Material Show	Bologna	Oct 16-20,20021	www.bolognafiere.it /saie

Forest Area

STRATEGIC INDICATOR TABLES FOR (COUNTRY)			
Country: Italy	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Land Area (000 hectares) *	29,406	29,406	29,406
Total Forest Area (000 hectares) *	10,003	10,006	10,009
--of which, Commercial ('000 hectares)	6,821	6,860	6,890
----of commercial, tropical hardwood ('000 hectares)	not applicable	not applicable	not applicable
----of commercial, temperate hardwood ('000 hectares)	5,320	5,355	5,375
----of commercial, softwood ('000 hectares)	1,501	1,505	1,515
Forest Type			
--of which, virgin ('000 hectares)	n/a	n/a	n/a
--of which, plantation ('000 hectares) Poplar	o/a 102	o/a 100	o/a 97
--of which, other commercial (regrowth) ('000 hectares)	n/a	n/a	n/a
Total Volume of Standing Timber (000 CM/Ha)	145	145	145
--of which, Commercial Timber ('000 cum)	not available		
Annual Timber Removal ('000 cum) 1/	9,000	9,000	9,000
Annual Timber Growth Rate (percent)	3	3	4
Annual Allowable Cut ('000 cum)	31,974	32,000	32,000
1/ If Removals exceeds growth rate, analyze impact in text.			

STRATEGIC INDICATOR TABLES FOR (ITALY)

(Please do not add/delete rows or columns -- note and other info must be added below row 110 -- thank you!)			
CONSTRUCTION MARKET			
Country:	Previous	Current	Following
Report Year:	Calendar Year (2000)	Calendar Year(2001)	Calendar Year(20021)
Total Housing Starts (thousand units)	237	238	232
--of which, wood frame (thousand units)	not available	not available	not available
--of which, steel, masonry, other materials (thousand units)	230	230	230
--of total starts, residential (thousand units)			
----of residential, single family (thousand units)	56	57	56
----of residential, multi-family (thousand units)	144	146	141
--of total starts, commercial (thousand units)	Units not available		
Total Value of Commercial Construction Market (Billion Euro) 1)	See Note		
Total Value of Repair and Remodeling Market (Billion EURO	56	57	58
Note 1 : Total Value New Residential Construction 19.70 Billion Euro Total Value New non residential construction 17.96 Billion Euro Source: Euroconstruct Dec 2001			

FURNITURE & INTERIORS MARKET

Country: Italy	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	37.0	238.0	232.0
Total Number of Households(millions)	20.5	20.5	20.6
Furniture Production ($US million)	21,008	21,010	21,015
Total Furniture Imports ($US million)	864	860	860
Total Furniture Exports ($US million)	8,131	8,400	8,500
Interiors Market Size ($US million)	35,086	36,000	36,000

Material Handling Market

Country:	Previous	Current	Following
Report Year:	Calendar Year	Calendar Year	Calendar Year
Total Value of Industrial Output ($US billion)	Not available	Not Avaliable	Not available
New Pallet Production (000 units) Pallet EUR EPAL	4,570	4,800	4,800

Wood Product Subsidies

Country:	Previous	Current	Following
Year of Report	Calendar Year	Calendar Year	Calendar Year
Total Solid Wood Export Subsidy Outlay ($US million)	no	no	
Is there a ban on the export of logs, lumber, or veneer? 1/	no	no	
Are there export taxes (yes/no)? 2/	no	no	no
Total Wood Production Subsidy ($US million)	n/a	n/a	n/a
Scope (thousands of hectares)			
Are there other wood products export expansion activities? 1/ no			
1/ If yes, describe in report.			
2/ If yes, identify in Tariff and Tax Strategic Indicator Table.			

Forest Product Tariffs and Taxes (percent)

Country:	Product	Current	Following	Import	Total Cost	Export
Report Year:	Description 1/	Year	Year	Taxes/ Fees	of Import 2/	Tax
4401	Wood chips	SAME AS EUROPEAN UNION TARIFFS				
4403.10.10	treated softw.pole					
4403	logs					
4404	Hoopwood					
4405	wood&flour					
4406	railway sleepers					
4407 .10	lumber					
4407.10 .31, 33,38, 79	lumber Soft wood					
4407.10 91, 93, 98	lumber Swood					
4407.24 15	tropical, lumber					
4407.24.30	Tropical lumber, planes					
4408.10.15	veneer					
4408.10.93	Veneer, other					
4408.31.11	Dark Red Meranti, finger-jointed					
4409.10 .11 & 20.11	frame molding					
4410	particle board					
4411	fiberboard					
4412	plywood					
4413	densified wood					
4414	frames					
4415	crates & pallets					
4416.00.10	Oak staves					
4416.00.90	wine barrel					

4417.00.20	tool handles					
4418.10.	windows					
4418.20.	Doors					
4418.30.	Parquet panels					
4418. 40	Concrete forming p.					
4418.90.10	Glue-lam					
4419	Table&kitchen ware					
4420	Marquetry					
4421.10.	Clothes hangers					
4422						
4423						
4424						
4425						

1/ Insert additional lines for Commodity tariff identification should tariffs vary within the four-digit designation for major products exported by the U.S. (e.g., 4412.19: softwood plywood 3%, 4412.XX: other plywood, 9%).2/ Calculate as tariff plus other import taxes/fees assuming a commodity value of $100.

PSD TABLES

TEMPERATE HARDWOOD LUMBER

PSD Table						
Country	Italy					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	800	800	800	800	0	800
Imports	1600	1640	1650	1700	0	1690
TOTAL SUPPLY	2400	2440	2450	2500	0	2490
Exports	190	307	120	220	0	200
Domestic Consumption	2210	2133	2330	2280	0	2290
TOTAL DISTRIBUTION	2400	2440	2450	2500	0	2490

SOFTWOOD LUMBER

PSD Table						
Country	Italy					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	730	730	730	740	0	730
Imports	5900	5900	5910	6600	0	6500
TOTAL SUPPLY	6630	6630	6640	7340	0	7230
Exports	35	35	40	45	0	45
Domestic Consumption	6595	6595	6600	7295	0	7185
TOTAL DISTRIBUTION	6630	6630	6640	7340	0	7230

TROPICAL HARDWOOD LUMBER

PSD Table						
Country	Italy					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	115	115	0	115	0	115
Imports	290	373	0	360	0	375
TOTAL SUPPLY	405	488	0	475	0	490
Exports	10	13	0	10	0	10
Domestic Consumption	395	475	0	465	0	470
TOTAL DISTRIBUTION	405	488	0	475	0	480

HARDWOOD PLYWOOD

PSD Table						
Country	Italy					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	480	500	480	480	0	480
Imports	385	397	380	390	0	395
TOTAL SUPPLY	865	897	860	870	0	875
Exports	150	148	145	145	0	150
Domestic Consumption	715	749	715	725	0	725
TOTAL DISTRIBUTION	865	897	860	870	0	875

TRADE MATRIXES

TEMPERATE HARDWOOD LUMBER

Export

Export Trade Matrix			
Country	Italy		
Commodity	Temperate Hardwood Lumber		
Time period	Jan/Dec	Units:	1,000 CUM
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
China/HongKong	75		
Total for Others	75		0
Others not Listed	112		307
Grand Total	187		307

Import

Import Trade Matrix			
Country	Italy		
Commodity	Temperate Hardwood Lumber		
Time period		Units:	1,000 CUM
Imports for:	1999		2000
U.S.	234	U.S.	227
Others		Others	
Croatia	211	Croatia	222
Hungary	182	Hungary	176
Germany	99	Bosnia Herzegovina	113
Bosnia Herzegovina	95	Austria	94
Russia	9	Slovenia	84
Slovenia	74	Russia	71
France	73	Romania	69
Poland	71	Germany	62
Austria	64	Poland	60
Romania	1014	France	51
Total for Others	1892		1002
Others not Listed	387		411
Grand Total	2513		1640

SOFTWOOD LUMBER

Export

Export Trade Matrix			
Country	Italy		
Commodity	Softwood Lumber		
Time period	Jan/Dec	Units:	1,000 CUM
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
Total for Others	0		0
Others not Listed	32		45
Grand Total	32		45

Import

Import Trade Matrix			
Country	Italy		
Commodity	Softwood Lumber		
Time period	Jan/Dec	Units:	1,000CUM
Imports for:	1999		2000
U.S.	67	U.S.	51
Others		Others	
Austria	3524	Austria	4021
Germany	626	Germany	765
Russia	304	Russia	406
Sweden	248	Sweden	254
Finland	247	Finland	223
Czech Rep	184	Czech Rep	183
France	108	France	123
Slovak Rep.	84	Slovak Rep.	102
Canada	82	Canada	80
Romania	47	Romania	55
Total for Others	5454		6212
Others not Listed	269		331
Grand Total	5790		6594

TROPICAL HARDWOOD LUMBER

Export

Export Trade Matrix			
Country	Italy		
Commodity	Tropical Hardwood Lumber		
Time period	Jan/Dec	Units:	1,000 CUM
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
Total for Others	0		0
Others not Listed	11		13
Grand Total	11		13

Import

Import Trade Matrix			
Country	Italy		
Commodity	Tropical Hardwood Lumber		
Time period	Jan/Dec	Units:	1,000 CUM
Imports for:	1999		2000
U.S.		U.S.	2
Others		Others	
Ivory Coast	100	Ivory Coast	107
Cameroon	87	Cameroon	123
Indonesia	32	Indonesia	26
Malaysia	23	Malaysia	22
Ghana	9	Ghana	12
Nigeria	15	Nigeria	15
Congo Rep.	3	Congo Rep.	6
Gabon	6	Gabon	16
		Brazil	10
Total for Others	275		337
Others not Listed	18		34
Grand Total	293		373

HARDWOOD PLYWOOD

Export

Export Trade Matrix			
Country	Italy		
Commodity	Hardwood Plywood		
Time period	Jan/Dec	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	1	U.S.	3
Others		Others	
Germany	89	Germany	90
U.K.	18	U.K.	9
Switzerland	14	France	9
Austria	9	Israel	8
France	8	Austria	8
Israel	6	Switzerland	7
Holland	4	Netherlands	4
Slovenia	2	Slovenia	3
Lybia	1	Turkey	1
Total for Others	151		139
Others not Listed	6		6
Grand Total	158		148

Import

Import Trade Matrix			
Country	Italy		
Commodity	Hardwood Plywood		
Time period	Jan/Dec	Units:	1,000 CUM
Imports for:	1999		2000
U.S.	28	U.S.	0
Others		Others	
Russia	85	Russia	92
Indonesia	322	Finland	52
Canada	25	Brazil	43
Finland	46	France	35
France	38	Indonesia	24
Brazil	23	Austria	20
Austria	16	Spain	16
Spain	12	Canada	10
Cameroon	10	Germany	9
Germany	8	Cameroon	9
Total for Others	585		310
Others not Listed	718		87
Grand Total	1331		397